Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Text

UNCLASSIFIED

PAGE 01 PARIS 20567 01 OF 03 081711Z

45
ACTION OES-05

INFO OCT-01 AF-06 EUR-12 EA-10 IO-10 ISO-00 FEA-01 ACDA-10

CIAE-00 INR-07 L-03 NSAE-00 NSC-05 EB-07 NRC-07

DODE-00 ERDA-07 COME-00 PM-03 H-02 PA-02 PRS-01 SP-02

SS-15 USIA-15 MC-02 TRSE-00 /133 W
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R 081643Z AUG 75
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 2042
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMEMBASSY TOKYO
AMEMBASSY SEOUL
AMEMBASSY OTTAWA
AMEMBASSY PRETORIA
USMISSION EC BRUSSELS
USMISSION IAEA VIENNA

UNCLAS SECTION 01 OF 03 PARIS 20567

DEPT FOR OES, PM, PASS ALSO NRC, ACDA, ERDA, AND
COMMERCE

E.O. 11652: N/A
TAGS: TECH, FR
SUBJECT: FRENCH REORGANIZE NUCLEAR INDUSTRY

REFS: A) 18618 B) PARIS 7082 C) PARIS 24441 (1974)
SUMMARY: TAKING CARE TO MAINTAIN GAULLIST OBJECTIVES,
GISCARD IS RESTRUCTURING THE FRENCH NUCLEAR INDUSTRY.
ON AUGUST 6, THE ELYSEE APPROVED PLANS TO CONCEN-
TRATE THE FRENCH CAPABILITY FOR CONSTRUCTING CONVEN-
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PAGE 02 PARIS 20567 01 OF 03 081711Z

TIONAL NUCLEAR POWER STATIONS INTO A SINGLE GROUP.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

EMERGING AS THE SOLE CONSTRUCTOR OF LIGHT WATER
REACTORS IN FRANCE IS FRAMATOME. THE GOVT
WILL EXERCISE CONTROL OVER THE FIRM BY HAVING THE
CEA TAKE A MINORITY SHARE IN IT.
THE GOVT ALSO APPROVED IN PRINCIPLE THE CEA'S PLANS
TO SPIN OFF ITS 8000-MAN PRODUCTION DEPT AS A SUB-
SIDIARY WHOLELY OWNED BY THE CEA AND TO GROUP ITS
BASIC RESEARCH OPERATIONS INTO AN AUTONOMOUS INSTITUTE
OF PHYSICS. A BIG LOSER IS THE FRENCH FIRM CGE, WHICH
LOST ITS ONLY FIRM FRENCH ORDERS FOR LIGHT WATER RE-
ACTORS. ANOTHER MAY BE WESTINGHOUSE, NOW UNDER IN-
CREASED FRENCH PRESSURE TO SELL THE CEA MOST OF ITS
45 PERCENT SHARE IN FRAMATOME AND TO TURN ITS LICENSE
AGREEMENTS INTO COOPERATION PACTS. ON THE INTERNATIONAL
SCENE, THE PROBABLE DISAPPEARANCE OF CGE AS A MANU-
FACTURER OF CONVENTIONAL NUCLEAR REACTORS WILL
LOWER THE FRENCH CAPABILITY TO EXPORT NUCLEAR POWER
REACTORS AT LEAST FOR THE SHORT-TO-MEDIUM TERM.
END SUMMARY.

1) ON AUGUST 6 AT THE ELYSEE, AN INTERMINISTERIAL
"CONSEIL RESTREINT," PRESIDED OVER BY GISCARD, AP-
PROVED PLANS TO RESHAPE THE FRENCH NUCLEAR PROGRAM.
ACCORDING TO THE GOVT SPOKESMAN, "THE PRESIDENT OF
THE REPUBLIC HAS INDICATED HIS ATTENTION THAT
A NUCLEAR INDUSTRIAL GROUP
OF INTERNATIONAL SCOPE BE CREATED IN FRANCE, CAPABLE
OF ASSURING THE INDEPENDENCE OF FRANCE IN THIS SECTOR,
SATISFYING AT THE BEST CONDITIONS OF PRICE AND
TIME NATIONAL NEEDS IN ELECTRICITY AND OF
CONQUERING A SICNIFICANT PART OF THE EXPORT MARKET."
IN ADDITION, THE PRESIDENT CHARGED THE MINISTER OF
INDUSTRY WITH "TAKING THE NECESSARY STEPS TO BEGIN
NEGOTIATIONS WITH WESTINGHOUSE AS SOON AS POSSIBLE TO
ASSURE FRAMATOME A STATUS AS PARTNER AND NO LONGER
SIMPLY AS LICENSEE." (EMBASSY TRANSLATION FROM PRESS
QUOTATIONS)

2) GISCARD'S WORDS NOT WITHSTANDING, IMMEDIATE PRAC-
TICAL CONSIDERATIONS WEIGH HEAVY IN THE ELYSEE'S
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PAGE 03 PARIS 20567 01 OF 03 081711Z

DECISION. FACING AN UNEXPECTEDLY SLOW GROWTH IN
DOMESTIC DEMAND FOR ELECTRICITY, AN UNCERTAIN
OVERSEAS MARKET, AND RISING DOMESTIC CRITICISM,
THE GOVT HAS DECIDED TO CONCENTRATE THE CONVENTIONAL
NUCLEAR INDUSTRY INTO A SINGLE GROUP. AS EXPECTED
(REF A) EMERGING AS THE ONLY CONSTRUCTOR OF LIGHT
WATER REACTORS IN FRANCE IS FRAMATOME, OWNED 51
PERCENT BY CREUSOT-LOIRE AND 45 PERCENT BY WESTING-

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HOUSE. THE GOVT INTENDS TO CONTROL FRAMATOME'S POLICIES BY HAVING THE COMMISSARIAT A L'ENERGIE ATOMIQUE (CEA) BUY A SHARE, PROBABLY A ONE-THIRD, "MINORITE DE BLOCAGE" FROM WESTINGHOUSE. TO COMPLETE THE NEW INDUSTRIAL GROUPING, FRAMATOME IS TO JOIN WITH TWO MANUFACTURERS OF ELECTRICAL GENERATING EQUIPMENT: ALSTHOM, A SUBSIDIARY OF CGE, AND COMPAGNIE ELECTROMECANIQUE(CEM) TO FORM A "CLUB" FOR EXPORTING NUCLEAR POWER STATIONS ON A TURNKEY BASIS.

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PAGE 01 PARIS 20567 02 OF 03 081719Z

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ACTION OES-05

INFO OCT-01 AF-06 EUR-12 EA-10 IO-10 ISO-00 FEA-01 ACDA-10

CIAE-00 INR-07 L-03 NSAE-00 NSC-05 EB-07 NRC-07

DODE-00 ERDA-07 COME-00 PM-03 H-02 PA-02 PRS-01 SP-02

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TO SECSTATE WASHDC 2043
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UNCLAS SECTION 02 OF 03 PARIS 20567

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

3) FRAMATOME'S ONLY COMPETITOR AND A GE LICENSEE, THE COMPAGNIE GENERAL ELECTRIQUE (CGE) APPARENTLY LOST ITS ONLY TWO ORDERS AND IS NOW OUT OF CONVENTIONAL NUCLEAR REACTOR BUSINESS IN FRANCE. THE GOVT DID NOT ACCEPT CGE'S DEMANDS BOTH TO RAISE THE PRICE OF REACTORS BY 30 PERCENT TO MEET SKYROCKETING COSTS AND TO GUARANTEE ADDITIONAL ORDERS. AS A RESULT, CGE'S SUBSIDIARY FOR REACTOR CONSTRUCTION,GAAA,WILL CONCENTRATE ON FAST BREEDERS.

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4) THE GOVT HAS ALSO APPROVED IN PRINCIPLE THE CEA'S REORGANIZATION. CEA ADMINISTRATOR ANDRE GIRAUD IS THUS ON THE VERGE OF ACHIEVING HIS OBJECTIVE OF TURNING THE AGENCY INTO "A SCIENTIFIC-INDUSTRIAL HOLDING COMPANY." THE 8000-MAN PRODUCTION DIVISION, INCLUDING MINING, FUEL FABRICATION, ENRICHMENT & REPROCESSING, WILL BE SPUN OFF AS AN AUTONOMOUS SUBSIDIARY WHOLEY OWNED BY CEA. THE 3000 CEA EMPLOYEES INVOLVED IN FUNDAMENTAL RESEARCH WILL BE GROUPED INTO AN AUTONOMOUS INSTITUTE OF PHYSICS. LABOR OPPOSES GIRAUD'S PLAN.
5) COMING AS A SURPRISE WAS THE ELYSEE'S SILENCE ON THE SIZE OF THE NUCLEAR PROGRAM FOR 1978 AND 1979. FOR SEVERAL MONTHS THERE HAVE BEEN REPORTS THAT THE GOVT HAD DECIDED TO REDUCE THE NUCLEAR POWER PROGRAM FROM 6 TO 4 OR 5 THOUSAND MEGAWATTS IN EACH OF THOSE YEARS. THE GOVT DID HOWEVER CONFIRM THE FEBRUARY DECISION TO ORDER SIX 1000 MEGAWATT PLANTS IN 1976 AND 1977.

GISCARDIEN DECISION-MAKING

6) GISCARD'S DECISIONS ON NUCLEAR ENERGY REPRESENT A CONTRAST TO HIS RECENT APPROVAL OF THE MERGER OF THE FRENCH COMPUTER FIRM, CII, WITH HONEYWELL-BULL, THE EUROPEAN ARM OF HONEYWELL INFORMATION SYSTEMS (REF B). FOR ITS AMERICAN CONNECTION, THE PROPOSED COMPUTER MERGER HAS DRAWN SHARP CRITICISM FROM BOTH THE HARD-LINE GAULLISTS AND LEFT. WEDNESDAY'S DECISION TO ELIMINATE GE AND LOWER THE SHARE OF THE FRENCH NUCLEAR MARKET HELD BY WESTINGHOUSE WILL RESPOND TO FEARS OF WHAT A TV ANNOUNCER CALLED "QUASI-COLONIZATION" OF THE FRENCH NUCLEAR INDUSTRY.

7) THE NUCLEAR DECISIONS AGAIN DEMONSTRATE GISCARD'S FLEXIBILITY AND PRAGMATISM TOWARD HIGH TECHNOLOGY. IN SPACE LAST OCTOBER (REF C), HE CHOSE A "EUROPEAN" SOLUTION FOR BUILDING A SPACE LAUNCHER. IN MARCH, HE CHOSE AN "AMERICAN" SOLUTION FOR THE AILING COM-

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

PUTER INDUSTRY. NOW HE HAS CHOSEN NEITHER "AMERICAN"
NOR "EUROPEAN" ALTERNATIVES BUT A "FRENCH" ONE.
THE COMMON THREAD HAS BEEN A WILLINGNESS TO ADAPT
HIGH TECHNOLOGY PROGRAMS TO PRESENT-DAY REALITIES.
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PAGE 03 PARIS 20567 02 OF 03 081719Z

GISCARD HAS NOT, HOWEVER, DIVERGED
FROM ULTIMATE OBJECTIVE OF DEVELOPING ADVANCED
CAPABILITIES UNDER NATIONAL CONTROL IN THE STRATEGIC
HIGH TECHNOLOGIES WHICH WERE CONSIDERED BY DE
GAULLE AS THE BASIS OF MODERN MILITARY AND
ECONOMIC POWER, HENCE NECESSARY TO MODERNIZE FRANCE
AND PROTECT ITS INDEPENDENCE.

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PAGE 01 PARIS 20567 03 OF 03 081707Z

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TO SECSTATE WASHDC 2044
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UNCLAS SECTION 03 OF 03 PARIS 20567

U.S. INTERESTS
8) WHAT DO THE CHANGES IN THE FRENCH NUCLEAR PROGRAM MEAN FOR THE U.S.? FIRST OF ALL, WITHOUT CGE'S PLANNED CAPACITY OF FIVE REACTORS PER YEAR, THE FRENCH EXPORT POTENTIAL WILL DROP, AT LEAST FOR THE SHORT TO MEDIUM TERM; FRAMATOME, WHICH IS BUILDING A CAPACITY TO PRODUCE EIGHT PRESSURE VESSELS A YEAR, WILL BE HARD-PRESSED TO MEET DOMESTIC ORDERS AS WELL AS EXPORT COMMITMENTS TO WESTINGHOUSE AND IRAN. FRAMATOME IS REPORTEDLY
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BIDDING TO BUILD TWO REACTORS IN SOUTH AFRICA AND AS MANY AS SIX IN THE USSR. SECOND, GE APPEARS TO HAVE LOST ANY CHANCES OF BREAKING INTO THE FRENCH MARKET FOR NUCLEAR REACTORS.

9) THIRD, THE FRENCH ARE EDGING WESTINGHOUSE INTO A SMALLER ROLE. WESTINGHOUSE MAY NOT BALK AT SELLING THE MAJOR PART OF ITS INTERESTS IN FRAMATOME TO THE CEA. HOWEVER, HEARING GISCARD TELL FRAMATOME TO NEGOTIATE AN END TO THE LICENSE AGREEMENT, SCHEDULED TO LAST UNTIL 1982, WILL NOT SIT WELL WITH THE WESTINGHOUSE MANAGEMENT. WERE THE LICENSE AGREEMENT TO BE REVISED, THE FRENCH WOULD PROBABLY INSIST ON REMOVING THE NECESSITY OF GETTING USG APPROVAL ON SALES OF WESTINGHOUSE-LICENSED EQUIPMENT TO CERTAIN COUNTRIES, THE COUNTRY NOW IN QUESTION BEING THE SOVIET UNION.

10) THE ELYSEE DECISIONS WILL TOUCH OFF A ROUND OF HEAVY NEGOTIATIONS. THUS WE DO NOT EXPECT THE ELYSEE NUCLEAR GAMEPLAN TO TAKE EFFECT BEFORE THE END OF THE YEAR. IN THE MEANTIME, CGE'S PRESIDENT, THE REDOUTABLE AMBROSE ROUX,MAY SEEK TO MANEUVER HIS FIRM BACK INTO THE PICUTRE. MINISTER OF INDUSTRY AND RESEARCH D'ORNANO SEEMS, HOWEVER, TO HAVE WON AN IMPRESSIVE VICTORY.
GAMMON

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Draft Date: 08 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
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Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
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EO Systematic Review
06 JUL 2006

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TAGS: TECH, FR
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